

## Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00  
COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05 L-03 LAB-04  
NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04  
ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01  
AF-08 ARA-06 EA-07 NEA-10 OIC-02 OES-06 /139 W  
-----271518Z 068272 /41

P R 271419Z JAN 77

FM USDEL MTN GENEVA

TO SECSTATE WASHDC PRIORITY 2199

INFO AMEMBASSY LONDON

USMISSION EC BRUSSELS

C O N F I D E N T I A L SECTION 1 OF 2 MTN GENEVA 0555

PASS STR FOR INFO

E.O. 11652: GDS

TAGS: ETRD

SUBJ: UK ATTITUDE ON MTN

1. WE HAVE BEEN GIVEN IN CONFIDENCE A COPY OF A COMMUNICATION FROM AN EMBASSY OF ANOTHER COUNTRY IN LONDON WHICH DESCRIBES THE CURRENT BRITISH ATTITUDE TOWARD THE MTN. AN EDITED PARAPHRASE OF ITS MAIN POINTS IS REPORTED IN PARAS 2-7 BELOW. WE BELIEVE REPORT TENDS TO CONFIRM THE GENERAL IMPRESSION US MTN DEL AS WELL AS EMBASSY LONDON HAVE REPORTED RECENTLY ABOUT UK ATTITUDE.

2. THE BRITISH DO NOT FEEL THAT THEIR PRESIDENCY OF THE EC COUNCIL FOR THE NEXT SIX MONTHS CAN BE USED AS AN OPPORTUNITY FOR SPURRING PROGRESS IN THE TRADE AREA. IN THE TRADE FIELD, PARTICULARLY, THE POWER OF THE PRESIDENT IS LIMITED SINCE THE COUNCIL WILL BE OCCUPIED IN THE IMMEDIATE FUTURE WITH THE CURRENT STATE OF EC/JAPAN RELATIONS AND THE PROBLEM OF MFA RENEWAL.

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3. THE BRITISH POSITION ON THE MTN IS BECOMING MORE AND MORE AMBIVALENT. THE OFFICIALA POSTURE AT THE MINISTERIAL LEVEL IS STILL TO CALL FOR TRADE NEGOTIATIONS AND ACCOMPLISHMENTS ON A BROAD SCALE. IN CONTRAST, HOWEVER, THERE IS A GROWING SKEPTICISM AT MANY LEVELS THAT ANY SUCH RESULT CAN BE ACHIEVED, OR EVEN SHOULD BE ACHIEVED FROM

THE UK POINT OF VIEW. CABINET VIEWS RANGE FROM ANTAGONISM TO INDIFFERENCE. OFFICIALS FEEL THAT THE WHOLE MTN EXERCISE SHOULD BE PULLED DOWN IN SIZE AND COMPLETED AS SOON AS POSSIBLE WITH LIMITED, REASONABLE RESULTS. THE RECENT STATEMENT BY FRENCH MINISTER OF FOREIGN TRADE ROSSI ON THE MTN HAS HAD AN IMPORTANT IMPACT IN THIS RESPECT.

4. THERE ARE SEVERAL REASONS FOR THIS BEARISH ATTITUDE. MAJOR UK FIRMS ARE NOT MAKING ANY BIG PUSH ON THE GOVERNMENT FOR BETTER ACCESS TO OVERSEAS MARKETS. PRESSURES FOR SELECTIVE PROTECTION ARE GROWING ON THE PART OF UNIONS, POLITICOS, AND ELEMENTS OF THE CBI AS WELL AS THE NATIONAL ENTERPRISE BOARD. THERE IS INCREASING DOUBT AS TO THE REAL VALUE TO THE UK OF POSSIBLE ADJUSTMENTS IN GATT TRADE RULES AS COMPARED TO OTHER FACTORS WHICH AFFECT BRITISH TRADE. STEEP DROP IN VALUE OF THE POUND HAS NOT BOOSTED EXPORTS APPRECIABLY; IS THERE REASON TO BELIEVE MODIFICATION OF GATT RULES WOULD DO MORE? MOST IMPORTANT IS THE DOUBT THAT THE U.S. ADMINISTRATION WILL EITHER BE WILLING OR ABLE TO GET CONGRESS TO APPROVE CONCESSIONS OF SUFFICIENT MAGNITUDE TO BE WORTH THE PAIN INVOLVED IN THE EC MAKING ITS OWN ADJUSTMENTS IN MEMBER COUNTRY MECHANISMS.

5. THE BRITISH THINK THAT THE TRADE NEGOTIATIONS SHOULD BE COMPLETED IN 1977, WITH ACCEPTANCE BY THE END OF 1978. THEY FEEL THAT A MINISTERIAL MEETING IN THE SPRING IS INADVISABLE SINCE IT WOULD ONLY RAISE FALSE HOPES. THEY CONFIDENTIAL

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FEEL ALSO THAT THE CARTER ADMINISTRATION, WISHING TO STAY CLEAR OF CONTROVERSY WITH THE EC, WOULD GO ALONG WITH THIS VIEW AND MAKE AN EFFORT TO FIND AN ACCEPTABLE MINI-PACKAGE. JAPAN WOULD NOT BE UNHAPPY IF THE MTN FOLDED.

6. ONE BRITISH OFFICIAL (UNNAMED) OPINED WITH THE USUAL CAVEATS THAT THE FOLLOWING RESULTS COULD REASONABLY BE CONCLUDED BY THE END OF 1977:

A) TARIFFS - VERY SMALL REDUCTIONS BALANCED BY A SMALL NUMBER OF EXCEPTIONS.

B) GOVERNMENT PROCUREMENT - AGREEMENT TO CONTINUE NEGOTIATIONS AFTER THE END OF MTN (WITH SOME TIME LIMIT), PERHAPS IN THE FRAMEWORK OF A NEW INSTITUTION.

C) SUPPLY ACCESS - IT MAKES LITTLE SENSE FOR THE MAIN USERS TO MAKE CONCESSIONS TO PRESERVE AN ACCESS WHICH

THEY ALREADY HAVE AND WHICH IS LIKELY TO CONTINUE WITH  
OR WITHOUT AGREEMENT.

D) CUSTOMS MATTERS - LITTLE RESULT ANTICIPATED. UK  
NOW GAINS SOME EXTRA MEASURE OF COMPETITIVENESS IN U.S.  
AND CANADIAN MARKETS THROUGH FOB VALUATION.

E) STANDARDS - POSSIBLE TO ACHIEVE SOME MEASURE OF  
AGREEMENT.

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-----271536Z 068415 /41

P R 271419Z JAN 77

FM USDEL MTN GENEVA

TO SECSTATE WASHDC PRIORITY 2200

INFO AMEMBASSY LONDON

USMISSION EC BRUSSELS

C O N F I D E N T I A L SECTION 2 OF 2 MTN GENEVA 0555

PASS STR FOR INFO.

F) QUOTA RESTRICTIONS - WORST OFFENDERS SHOULD MAKE  
SOME REDUCTIONS.

G) SAFEGUARDS - NO GATT REFORM POSSIBLE AT THIS POINT.  
COULD END UP WITH INTERPRETIVE NOTES TO ARTICLE XIX PLUS  
AGREEMENT TO NEGOTIATE A SUPPLEMENTARY CODE AS WELL  
AS TO LOOK AT MECHANISMS FOR SURVEILLANCE. UK STILL FAVORS  
SELECTIVE SAFEGUARDS.

H) AGRICULTURE - EC MIGHT CONCEDE SOMETHING ON CANNED  
FOOD AND HARD WHEAT, BUT WILL NOT MOVE ENOUGH TO JUSTIFY  
MAJOR CONCESSIONS BY THE U.S. THERE MIGHT BE AGREEMENT TO  
NEGOTIATE SOME COMMODITY ARRANGEMENTS OUTSIDE THE MTN.  
U.S., CANADA AND AUSTRALIA SHOULD SETTLE ON SOME REQUESTS,  
NOT TOO MAJOR, FOR SPECIFIC ADJUSTMENTS IN EC EXPORT

RESTITUTIONS SINCE THE EC WILL NOT ABANDON ITS WHOLE SYSTEM.

7. UK IS HEAVILY CONCERNED ABOUT THE EFFECT OF U.S. CONFIDENTIAL

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COUNTERVAILING DUTY ACTIONS ON U.S.-EC RELATIONS AND THE MTN. THERE IS A POSSIBILITY OF REAL CONFRONTATION ON THIS ISSUE. THE NEW ADMINISTRATION MUST TRY TO FIND SOME WAY OF HEADING OFF OR MODIFYING TREASURY DECISIONS, ALTHOUGH IT IS RECOGNIZED THAT SUBSTANTIAL CHANGES IN PRESENT LAWS ARE UNLIKELY IN VIEW OF A PROTECTIONIST CONGRESS. THERE MAY BE SOME ROOM FOR COMPROMISE ON REGIONAL DEVELOPMENT, BUT AGRICULTURE AND THE VAT ARE DIFFERENT. THERE MAY BE A CHANCE TO DROP "MATERIAL INJURY" FROM GATT ARTICLE VI OR MODIFY THE PHRASE TO "APPRECIABLE INJURY". EC MIGHT SETTLE FOR ANY INCLUSION OF THE WORD "INJURY" IN U.S. COUNTERVAILING PRACTICES AND ALSO MIGHT FEEL IT IS LESS INHIBITED BY ARTICLE VI IF THE WORD "MATERIAL" WERE LEFT OUT. LDC'S SHOULD BE SUBJECT TO SAME RULES IN THIS AREA AS THE DEVELOPED COUNTRIES. WALKER

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## Message Attributes

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